GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2813
ANSWERED ON:02.12.2016
Relaxing of NPS Norms
Patil Shri Bheemrao Baswanthrao

Will the Minister of FINANCE be pleased to state:

(a) whether the Government proposes to do away with a norm mandating retiring employees to buy an annuity with 40 per cent of their accumulate corpus under National Pension System (NPS) and if so, the details thereof and the reasons therefor;
(b) whether the Government has identified the negatives of the NPS system and if so, the details thereof and the steps taken to remove the same;
(c) whether diluting the annuity prescription would spur greater competition between the NPS and Employees Provident Fund Organisation (EPFO) and if so, the details thereof;
(d) whether the Government has granted an additional annual deduction from gross taxable income for NPS investments over and above Rs. 1.5 lakh deduction permitted; and
(e) if so, the details thereof and the other measures taken/being taken to make NPS more attractive?

Answer

The Minister of State in the Ministry of Finance

(a) There is no such proposal before the consideration of the Government.

(b) National Pension System (NPS) is a contributory pension scheme. The benefits to the subscribers depend on the accumulated contributions and the returns generated thereon.
The lump sum withdrawal at the time of exit is partially tax exempt up to 40% of the accumulated corpus. In other superannuation schemes such as Employees Provident Fund (EPF), General Provident Fund (GPF), Public Provident Fund (PPF) etc., the withdrawal is totally tax exempt.

(c) Does not arise in view of the reply to part (a) above.

(d) & (e): Yes Sir. Through the Finance Act, 2015, a separate section 80CCD(1B) has been inserted in the Income Tax Act, 1961 , wherein a subscriber under NPS is allowed a deduction in computation of his total income, whether or not any deduction is allowed under Section 80CCD(1) , of the whole amount paid or deposited in his account under NPS, which shall not exceed Rupees Fifty thousand. Deduction under Section 80CCD (1) is limited to overall ceiling of Rs. 1.50 lacs under Section 80CCE.

The following measures have been taken for making NPS more attractive:

i. Introduction of Online Account opening and subsequent contribution through eNPS platform in addition to the normal process of account opening through Points-of-Presence and Nodal office.
ii. Making available more life cycle choices to the NPS private sector subscribers.
iii. Introduction of New Scheme-"A" − Alternate Investment Fund subject to maximum cap of 5% of contribution for NPS Private Sector subscribers.
iv. Minimum contribution requirement in a financial year has been reduced from Rs. 6000/- to Rs. 1000/- for NPS- Private Sector.
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